LOCAL HOMESTEAD CREDIT REVIEW COMMISSION

DATE: May 29, 2013

CALLED TO ORDER: 6:00 p.m.

ADJOURNED: 7:07 p.m.

ATTENDANCE

ATTENDING MEMBERS	ABSENT MEMBERS
Beth Henkel, Co-Chair	
James Steele, Co-Chair	
Robert Lutz	
Frank Mascari	
Joseph O'Connor	
Vop Osili	
Chris Pryor	
Jack Sandlin	
Dan Sellers	
Jeff Spalding	

AGENDA

- Present an analysis of local revenue, including retrospective and projected illustrations of trends, highlighting the effects of economic conditions and state enacted property tax caps, and a conclusion about whether there is a need to reduce or eliminate the Local Homestead Credit.
- What the local homestead credit is (and is not).
- History of the local homestead credit and why a property tax credit is funded by local income tax revenue.
- How the local homestead credit is applied to taxpayers' bills.
- Effect of property tax caps on the application of the local homestead credit.
- How the local homestead credit affects the budgets of civil taxing units other than the City and County.
- Which neighborhoods and types of homes benefit from the local homestead credit despite property tax caps.
- Whether changes in state law relating to income tax distribution and the local homestead credit are desirable.

LOCAL HOMESTEAD CREDIT REVIEW COMMISSION

The Local Homestead Credit Review Commission, created by the City-County Council, met on Wednesday, May 29, 2013 at the Perry Township Government Center, 4925 Shelby Street. Co-Chair Beth Henkel (Local Attorney, former Department of Local Government and Finance Commissioner) called the meeting to order at 6:00 p.m. with the following members present: Co-Chair James Steele (former City Controller and former Chief Financial Officer for the City-County Council), City-County Councillor Frank Mascari, Joseph O'Connor (Marion County Assessor/County Commissioner), City-County Councillor Vop Osili, Chris Pryor (Metropolitan Indianapolis Board of Realtors-MIBOR), City-County Councillor Jack Sandlin, Dan Sellers (Chief Financial Officer for the Health and Hospital Corporation), and Jeff Spalding (former City Controller, serving as Controller's Designee). City-County Councillor Robert Lutz arrived shortly thereafter. Chief Financial Officer Hope Tribble represented Council staff.

Co-Chair Henkel asked commission members to introduce themselves and indicate the entity they represent on the commission.

Co-Chair Henkel explained how the commission was formed and the process they will be undertaking. She said that they will be holding five community meetings, of which this is the first, and there will be two presentations offered at each hearing to detail the City's current budget situation and explain the homestead credit (HSC). The first presentation will be offered by the City Controller and will give a brief overview of the City's finances and revenue streams. The second presentation will be offered by Policy Analytics, LLC, a local fiscal research and analysis firm, and will explain the HSC, what it is, how it was created, and what will happen to individual property tax bills and other units of government if it is eliminated.

Jason Dudich, City Controller, Office of Finance and Management (OFM), provided a 2013 Fiscal Review of the Consolidated City of Indianapolis and Marion County (attached as Exhibit A). {Clerk's Note: A copy of this presentation, along with all other presentations and handouts, is attached to these minutes and can also be found on the Council's Local Homestead Credit Review Commission's web page: http://www.indy.gov/eGov/Council/ Committees/Pages/Local-Homestead-Credit-Review-Commission.aspx.} Mr. Dudich stated that the City and County has a roughly $1 billion budget, and the General Fund makes up approximately 54% of that total budget at almost $540 million. He said roughly 84% of that total General Fund operating budget comes from property tax or income tax revenue. The major income tax revenue is generated by a 1.62% tax rate for Marion County, which is broken into different pieces: the County Option Income Tax (COIT), the public safety tax, and the property tax levy freeze. That income tax is allocated through a formula determined by State law as to how much goes to the City of Indianapolis, Marion County and other taxing units, such as excluded cities. He reviewed the income tax revenue trends, with some growth from 2008 to 2010, and then a drop from 2011 to 2013. He said that this drop is related to the economic downturn, as well as a delay in property tax distribution. He said that the way these taxes are distributed may not match the current economic trend, as they lag behind a year to two years in distribution. He said that they have lost

$164 million accumulatively in revenue over the past few years, and they need to take action to try and maintain the fiscal stability of the City. He said that while the surrounding counties have increased their percentage of personal income in comparison with the total State income, Marion County has remained relatively the same, and actually decreased a bit, in relation to the overall percentage of personal income for the State of Indiana. They are trying to drive that percentage up and encourage more citizens to stay in Marion County, so that more dollars stay in the City. He said that property tax is the other major source of revenue for the General Fund, which is affected by the fire consolidations, collections and the circuit breaker, and it has remained relatively steady. He said that it is a daunting picture that the City and County is realizing, and little to no growth in revenue sources places a burden on the City to lower expenditures and deplete fund balances. While they are assuming a slight incline in revenue in 2014, that is not guaranteed, and still will not bring them to previous revenue levels. Even with some one-time revenue sources and reductions in expenditures, they are still faced with a structural deficit of approximately $62.3 million at the end of 2013, with $26.2 million in cash on hand; and a $55.5 million deficit projected for the end of 2014, with $29.3 million on hand. These numbers do not assume the elimination of the homestead credit. He said that currently, $12.5 million of COIT distribution is set aside off the top for the local homestead credit. The elimination of the local homestead credit would allow that $12.5 million of COIT to be put into the formula for tax distribution and would provide almost $8.3 million in potential on-going revenue to the General Fund without an increase in income taxes. He said that there will be a minimal impact on property taxes for those homeowners who are below the cap or are part of a referendum. Mr. Dudich concluded that while the elimination of the homestead credit would not fix all their problems or solve the deficit, they need to look at all options available to them.

Co-Chair Steele stated that there is a two-page handout (attached as Exhibit B) that attendees received upon entering the meeting which details the objectives of the commission, lists its members and meeting dates, and provides a website address where all information presented this evening will be posted, along with some other information. He said that there is also an application on the website that allows a taxpayer to enter their parcel number and compare their current property tax bill to a possible future bill should the HSC be eliminated.

William Sheldrake, Policy Analytics, LLC, introduced his colleague, Jason O'Neill, and provided commission members and citizens with an overview, history and analysis of the Local Homestead Credit, which is a credit available on an owner-occupied dwelling or residence. Mr. Sheldrake stated that they are speaking specifically of the COIT homestead credit, which does not include the State-administered homestead deduction or the smaller Local Option Income Tax (LOIT) homestead credit. He said that HSCs become property tax revenue to be distributed to all units in the County that levy property taxes, and essentially replace a portion of the property taxes that residential taxpayers would otherwise pay. Mr. Sheldrake said that eliminating the HSC will shift approximately $12.8 million in COIT revenue into spendable general revenues for certain civil units. He reviewed the impact of eliminating the credit on taxing units that experience a net revenue increase, as well as those that experience circuit breaker losses. He explained that taxpayers already at their circuit breaker maximum will see no impact, while taxpayers below that maximum, and those subject to a school referendum fund levy, will see an increase in varying degrees. Mr. O'Neill gave some examples of different elimination scenarios as outlined in Exhibit C (attached). The property tax increase with an elimination of HSC would be less than $30 annually for 81% of Marion County homeowners. Mr. Sheldrake gave some analyses of taxpayer liability on different-priced parcels in different townships. He concluded by showing a map with a County overview of the impact of removing the HSC, and said that the website also shows a breakdown of that impact by township.

Mr. Spalding said that it is important when considering a public policy decision like this to recognize what the HSC is. The HSC is not a tax credit in the traditional sense of the word, because the tax liability for the parcel remains what it is; and the HSC is actually a government program that chooses to take another tax and pay down a portion of property tax liability. The net effect is that the property tax bill is lowered, but the fundamental calculation of the taxes on the parcel is not lowered. He said that this is an important distinction in understanding how these COIT revenues are spent. The property tax caps that have come into play have really revealed the subsidy structure of the HSC program. He said that it is more of a spending program than a tax liability reduction program.

Councillor Sandlin said that this credit was established by the State in a time before the property tax caps and was created to give property taxpayers some relief. He asked if everyone in the State took advantage of this tool. Co-Chair Henkel said that local units of government were given the opportunity to provide an additional HSC throughout the State, and each county could make that determination. She said that to her knowledge, Marion County is unusual in the fact that it chose to implement the HSC. She asked Co-Chair Steele if he is familiar with other counties that have used this tool. Co-Chair Steele said that he believes Madison County also enacted the HSC, but he is not familiar with the usage of this tool State-wide. Co-Chair Henkel said that since the property tax caps have gone into effect, more units have opted to use the property tax replacement credit (PTRC) program instead, which includes agricultural, residential and commercial properties. Mr. Spalding said that the data is available with regard to which Indiana counties have enacted the HSC. Mr. Sheldrake said that they can provide that information and make it available on the website.

Co-Chair Henkel asked for public testimony.

Harold Epperson, citizen, said that he has been retired since 2008 and owns a home in Perry Township. He said that $22, or whatever the amount is, really is not much to quibble over; especially, when adding it all up, it will amount to a very usable amount for the government. He added, however, that he is on a fixed income, so he is against any more deductions from his income, especially in light of health insurance costs and utility costs going up. He said that government may very well need the amount of money involved here, but their inability to dispense it properly, in his opinion, makes withholding it or taking it away from homeowners an insult. He said that helping sport entities and established for-profit businesses with tax dollars causes him concern, because it affects the individual taxpayer. He said he used to be in the median income range, but is now probably classified as poverty level. He said, however, that he has learned to live within his means. When the government continues to levy programs that take away his ability to live within his means, it hits too close to home. He said that he does not think it is necessary, and the government needs to also live within its means.

David Wantz, University of Indianapolis, Public Affairs, and resident of Homecroft, said that he found the presentations difficult to fully understand even though he has a couple of college degrees. He said that he would like to understand the difference between the structural deficit and the annual budget deficit, and feels this might help regular citizens understand more clearly. He said that it might also be helpful to understand what the cumulative deficit does, because it has the effect of lowering fund balances. He said that he saw an interesting chart recently about where income can come from property taxes in the County and how much land is off the taxable rolls because it belongs to hospitals, schools or not-for-profits; or is right-of-way property; or is residential property limited by the circuit breakers. He said that this was very stark for him to see just how much land is excluded from generating any tax income, yet still requires expenditures by the local government. He said that this information would also be a good thing for this commission to present to the public. He said that these are some things that could help clarify this issue for a lot of folks who are not experts in these types of discussions.

Co-Chair Steele thanked Mr. Wantz for some very good points and said that almost half of the property in Center Township is tax-exempt.

Jackie Nytes, Executive Director, Indianapolis Marion County Public Library (IMCPL), said that the tax structure has gotten so complex in a very incremental way, and now the City is faced with making an incremental fix, because they do not really have the authority to make sweeping actions to fix the whole problem. She said that the issue becomes how to take this incremental step in a way that does the least harm. On one of the slides, it was evident that some governmental units will have a small increase in revenue as a result of this action, while others will have a small, or perhaps in their perspective, a significant loss. There is enough money involved that it could be distributed in such a way that theoretically none of the units lost, but unfortunately, the Council does not necessarily have the authority to effect that. She said that she would appreciate the careful and thoughtful deliberation of this action, while recognizing that all of the governmental units in Marion County are trying very hard to manage their resources to serve the public to the best of their ability. She urged them to rely on creativity to find a solution that does the least harm.

Councillor Mascari asked how the $400,000 will affect the library. Ms. Nytes said that it is significant because of the projection that the public safety LOIT is continuing to decrease. She said that $400,000 would, for example, represent the cost of operating at least one branch library, or represent all of the funds they spend on e-books and downloadable audible books. She said that they have just been notified by the public employees retirement fund (PERF) that they will need to spend another 1 ½ to 2% of their payroll in employer contributions to PERF, which is another $280,000 she was not planning on spending in that area next year. She said that she does not know how that will affect salaries or increases, so $400,000 is definitely a factor.

Co-Chair Henkel explained that this commission will make recommendations to the Council as to their findings, but will be making no actual decisions. Their role is to educate the community about the HSC, review the implications if it were to be eliminated and its effect on the budgets of all tax-supported units, and receive public input on this matter. She explained that five community meetings will be held around the County, and then on June 24, 2013, the commission will meet again to discuss and finalize recommendations. Those recommendations will then be introduced to the Council on July 8th, according to the timeline envisioned for this process. Co-Chair Steele thanked all those in attendance for providing input and showing an interest in this issue. He thanked Dan Moriarty, Perry Township Trustee, for hosting this community meeting and providing a great facility.

Councillor Mascari said that he is disappointed that none of the school districts are represented here this evening, as they will be affected by this decision. He said that he will contact those in his area to inform them of upcoming meetings so that the commission can receive some input in that area.

Councillor Sandlin said that if attendees think of questions after taking some time to digest the information they have received this evening, there are more meetings scheduled where they can do that. He said that Controller Dudich and the gentlemen from Policy Analytics will be available to answer questions, and it is good that the Controller is here to hear input from the public as he begins to formulate future budgets. He said that public input has always very helpful to him as a Council member when he is making a decision.

There being no further business, and upon motion duly made, the meeting was adjourned at 7:07 p.m.

Respectfully Submitted,

Beth Henkel, Co-Chair

James Steele, Co-Chair

BH:JS/ag

Exhibit A

Office of Finance & Management
Indianapolis
Mayor Gregory A. Ballard

2013 Fiscal Review

Consolidated City of Indianapolis/Marion County

Presentation to the

Local Homestead Credit Review Commission

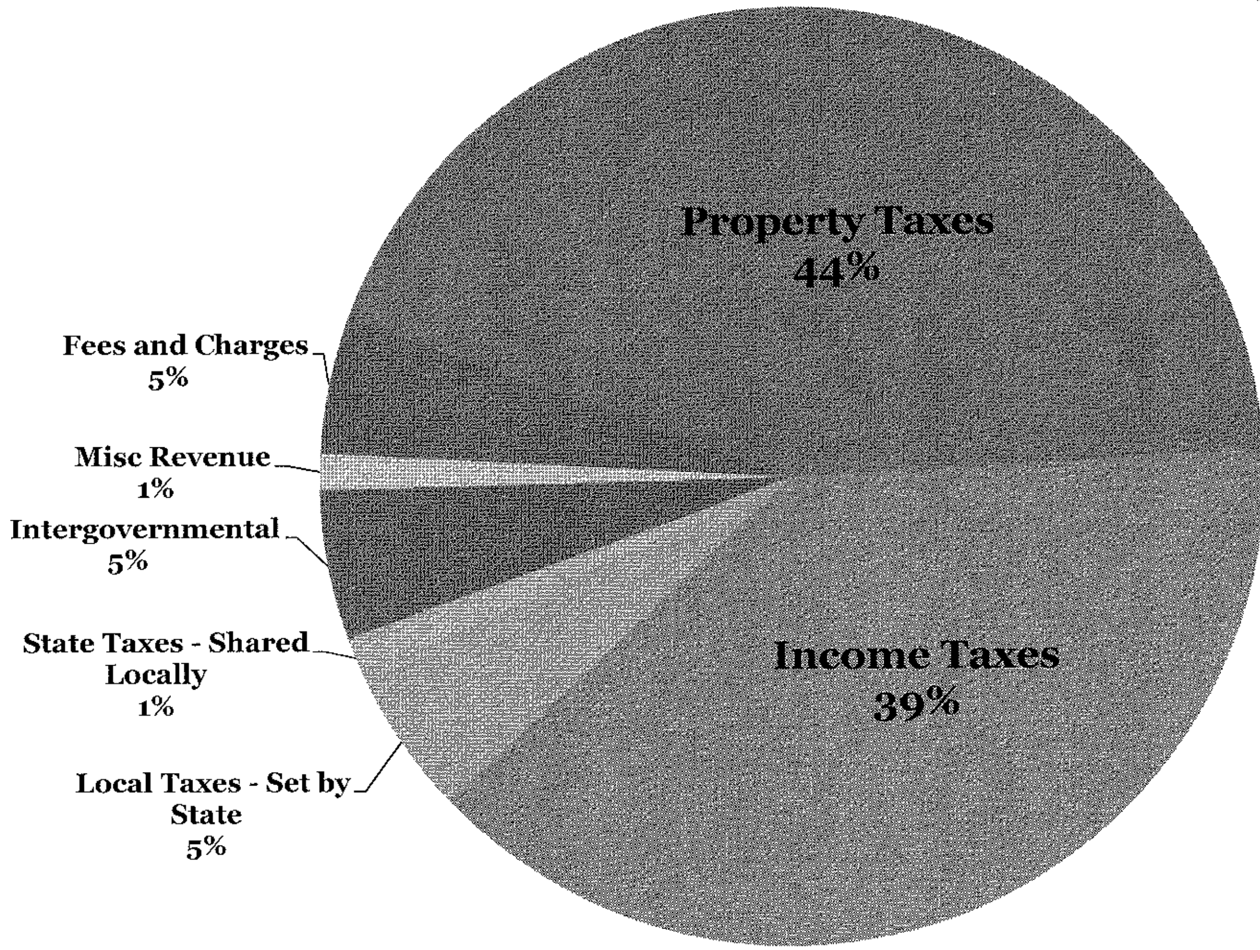
Summer 2013

Prepared by the Office of Finance and Management

2013 General Fund Revenue

Revised budget total: $539,679,138

Office of Finance & Management
Indianapolis
Mayor Gregory A. Ballard



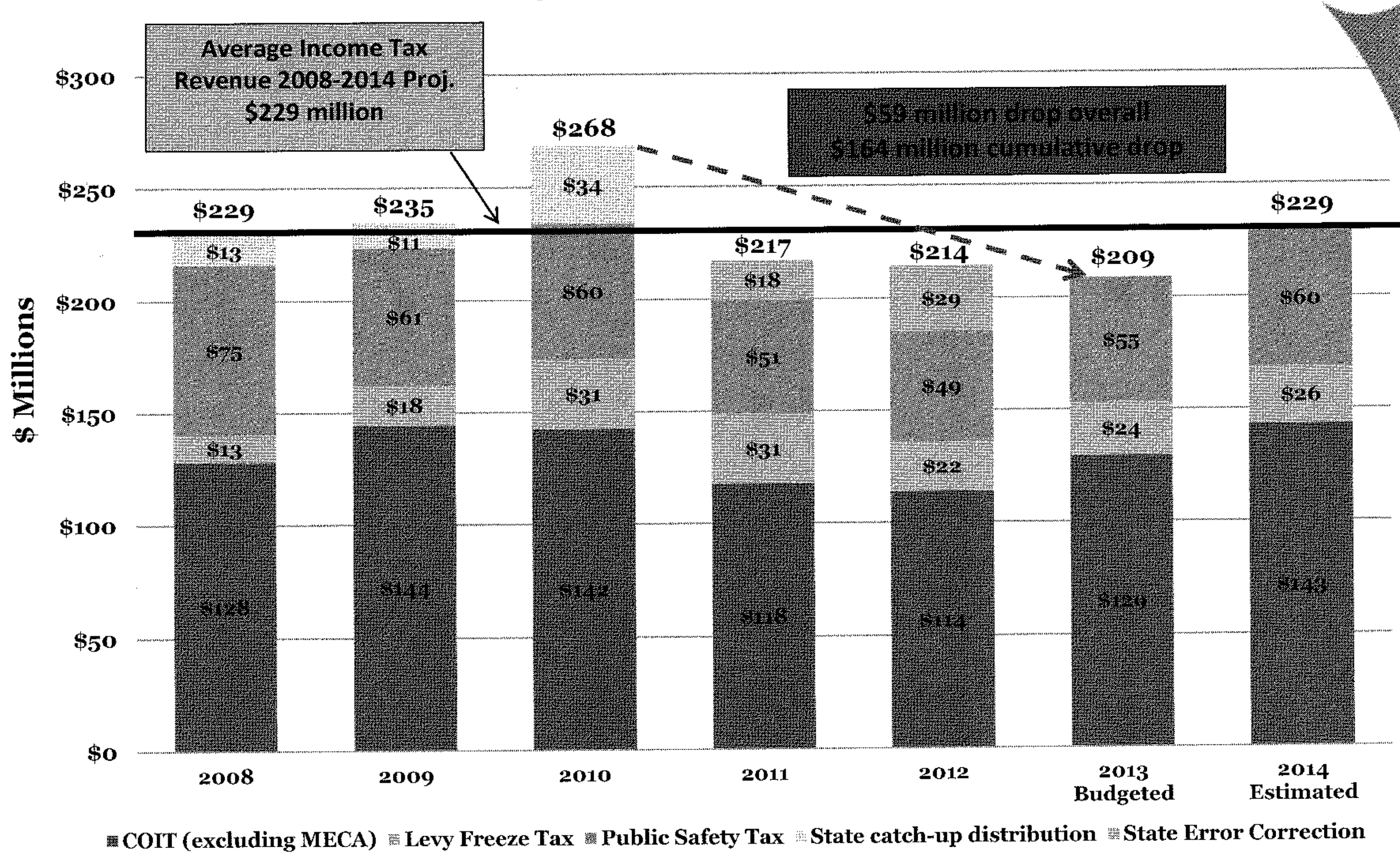
Overall City/County Budget (All Funds): $1.0 billion in 2013

Notes:
1. **Local taxes set by the State include:** auto excise, financial institutions, commercial vehicle excise and inheritance taxes
2. **State taxes shared locally include:** riverboat wagering/gaming, cigarette, alcohol excise and gallonage taxes.
3. **Fees and charges for services include:** cable franchise, court costs, park admissions/fees, recording fees, wrecker franchise, etc.
4. **Miscellaneous revenue includes:** sale and lease of property, fines and penalties, and other misc. revenues.

Major Income Tax Revenue

to City-County General Funds Only
(adjusted)

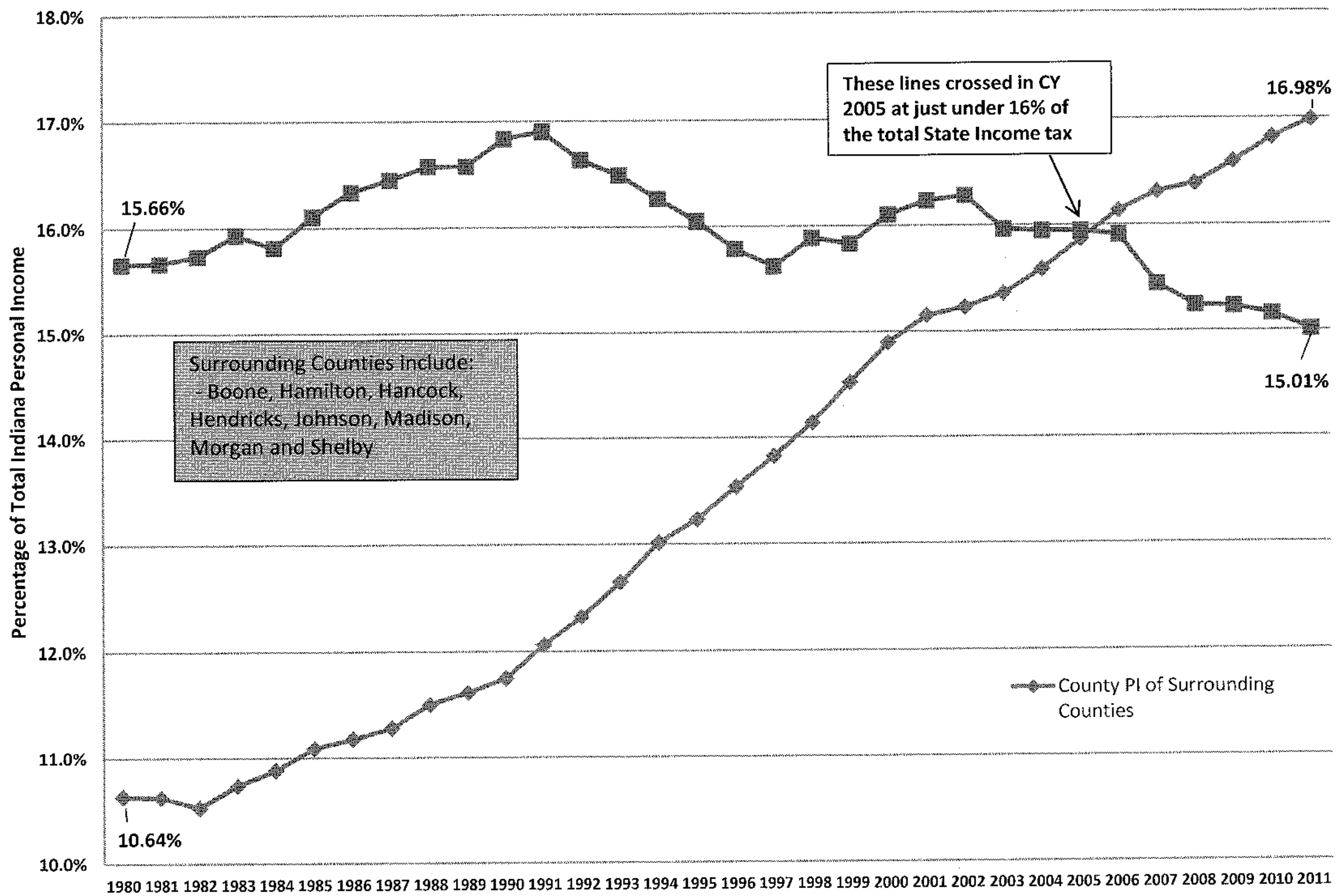
Office of Finance & Management
Indianapolis
Mayor Gregory A. Ballard



Note: 2014 projected income tax revenue not final.

Marion vs. Surrounding Counties
Personal Income as a Percent of Indiana Personal Income

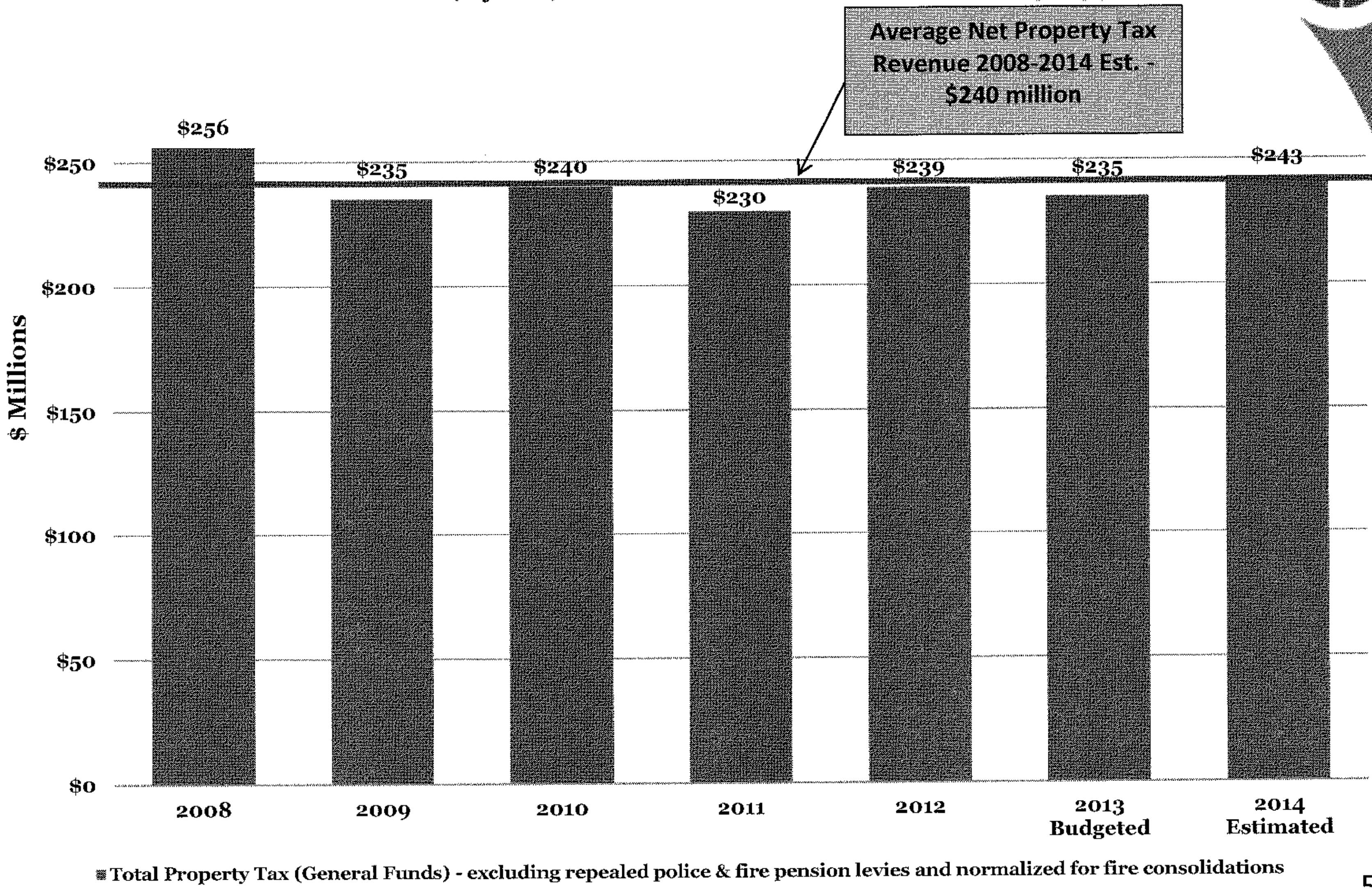
Office of Finance & Management
Indianapolis
Mayor Gregory A. Ballard



Major Net Property Tax Revenue

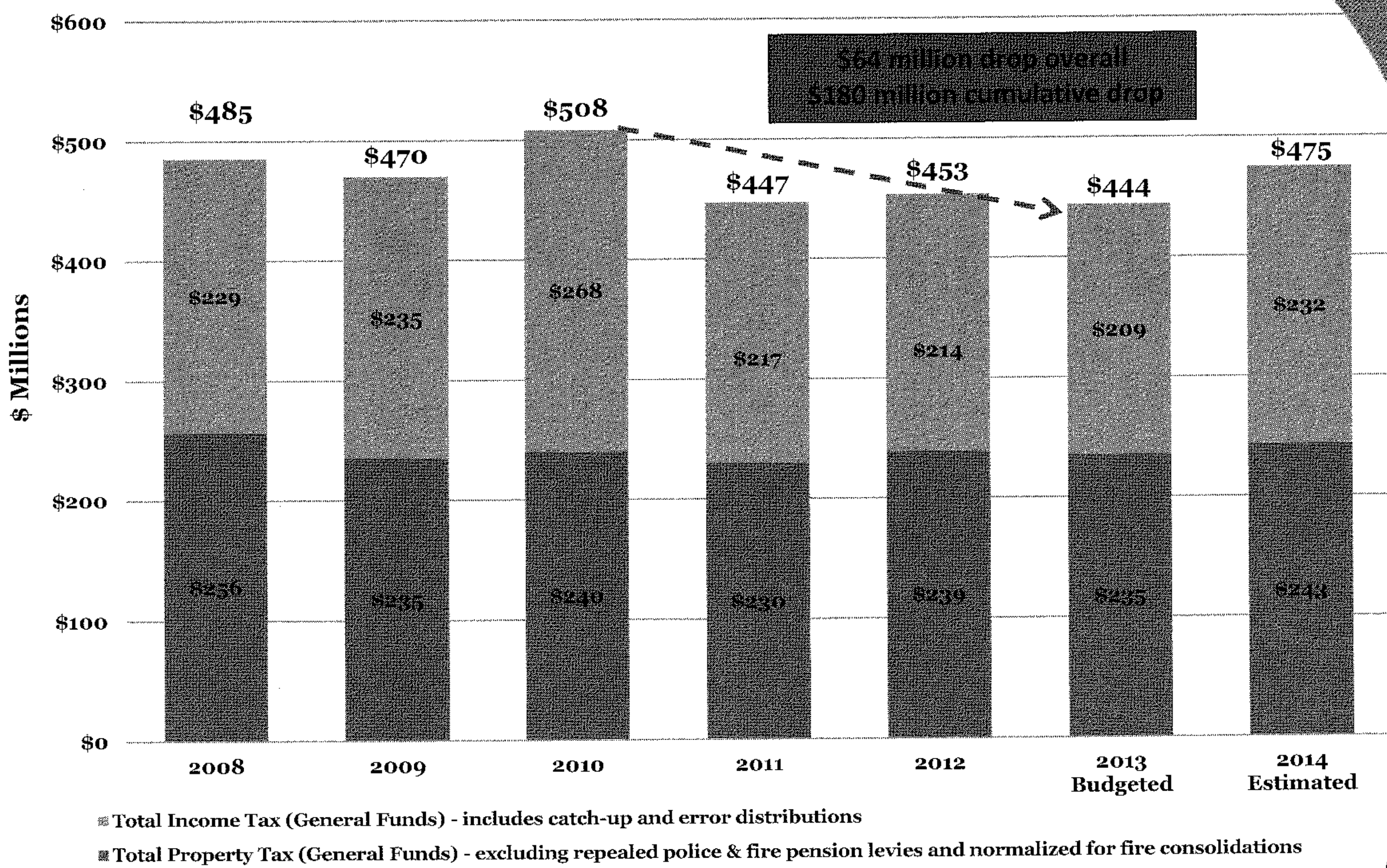
to City-County General Funds Only
(adjusted)

Office of Finance & Management
Indianapolis
Mayor Gregory A. Ballard



Major Tax Revenue

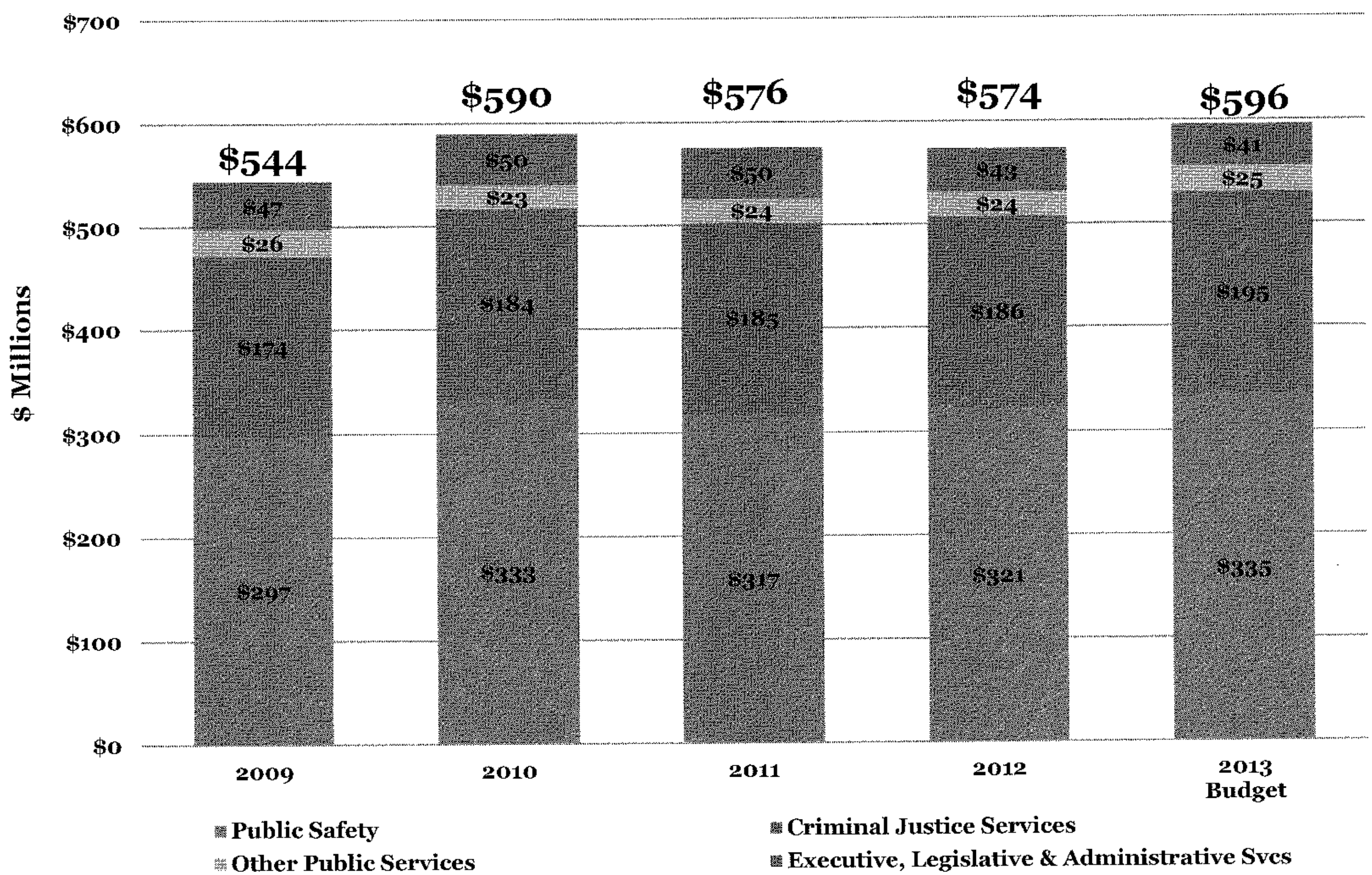
to City-County General Funds Only
(adjusted)



Office of Finance & Management
Indianapolis
Mayor Gregory A. Ballard

General Fund Expenses

Consolidated City of Indianapolis, Marion County
(adjusted)



Office of Finance & Management
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Impact on Fund Balance

Office of Finance & Management
Indianapolis
Mayor Gregory A. Ballard

- Little to no growth in major revenue sources place a burden on lowering expenditures and depleting fund balances.
- Even with one-time revenue sources and reductions in expenditures during 2013, a structural deficit will occur.
  - ***The structural deficit is based expected expenditures for a given year, net of total revenue for a given year, adjusted for one-time revenue/expenditures or anticipated future revenue/expenditures.***
- While overall general fund expenditures have increased over the last 5 years, an increase in public safety and criminal justice services have created additional pressure on the annual budget.
- Actions have been taken to address stagnant revenues by reducing expenditures where possible, drawing down fund balances and identifying potential revenue sources both ongoing and one-time.

City/County General Fund Impact
2013 and 2014 Est. *($'s in millions)*

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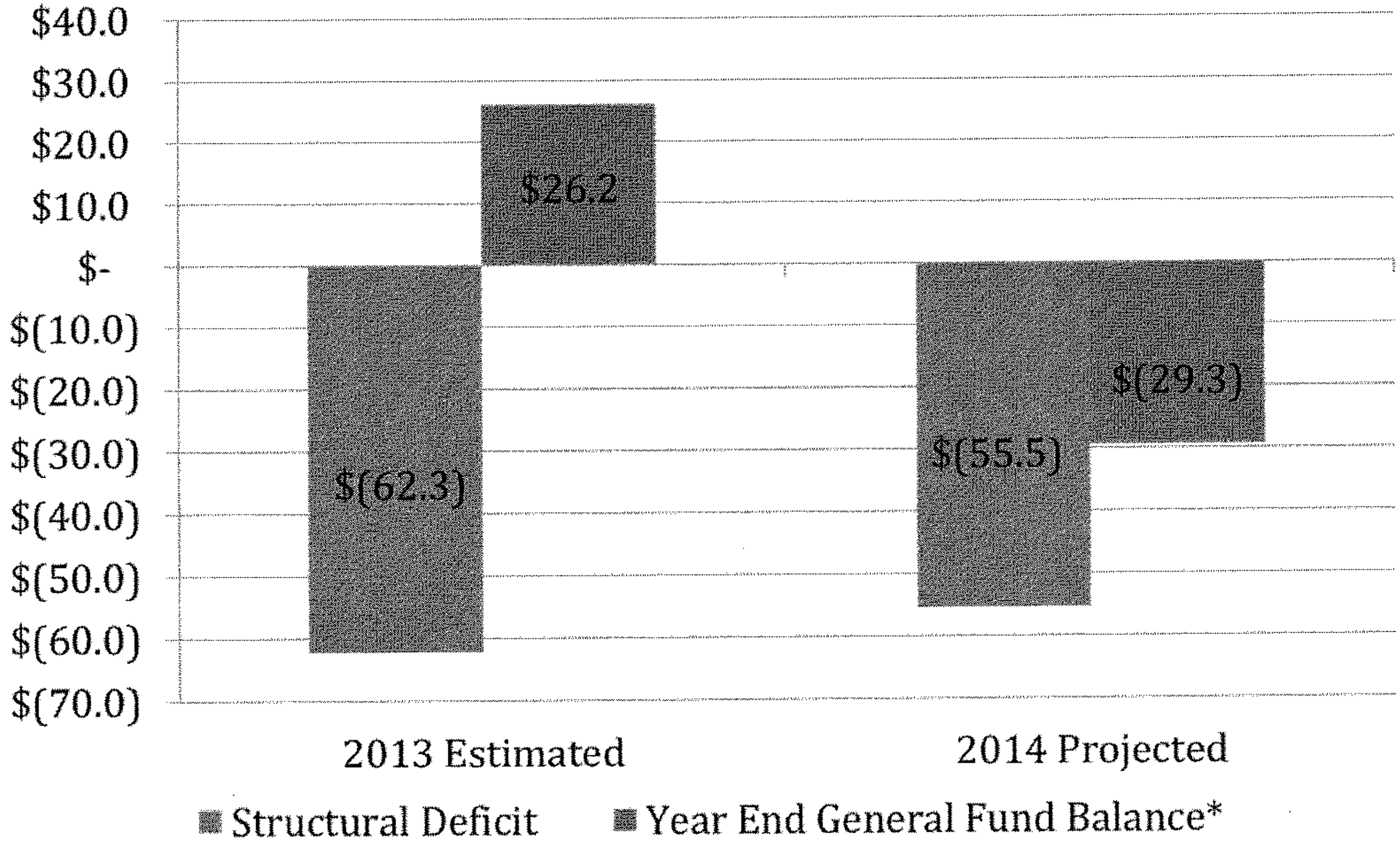

Impact of Homestead Credit

Office of Finance & Management
Indianapolis
Mayor Gregory A. Ballard

- Currently: **$12.5M** of county option income tax (COIT) is set aside for Local Homestead Credit
- Increased expenditures and stagnant tax revenues has created a structural deficit and potential general fund cash reserve issue
- Elimination of the Local Homestead Credit would provide the city/county with almost **$8.3M** in potential on-going revenue without an increase in income taxes
- Creates minimal impact on property taxes *(below the cap or part of a referendum)*
- Elimination of the Local Homestead Credit is not a **"silver bullet"**
  - However, this is one option to address the structural deficit and general fund cash reserves

Exhibit B

LOCAL HOMESTEAD CREDIT REVIEW COMMISSION

Planning Document – Subject to revision and update

The Local Homestead Credit Review Commission is a bi-partisan study group that was enacted by City-County Council Proposal 121, which also has been signed by the Mayor.

OBJECTIVES

- Educate the community about the homestead credit
- Review the implications, effects on the budgets of all property tax supported units
- Receive public input on these decisions
- Make a recommendation to the Council based on findings

MEMBERSHIP

The commission will consist of 10 members, as follows:

1. Two co-chairs, no more than one from the same political party, jointly appointed by the Council President and the Mayor. The co-chairs must have expertise in municipal finance and local property tax
2. Four city-county councillors, no more than two from the same political party. Two of the councillors will be appointed by the City-County Council President and the City-County Council Minority Leader, respectively
3. A representative of the Metropolitan Indianapolis Board of Realtors (MIBOR), appointed by the Mayor
4. A representative of the civil units, schools and municipal corporations that receive property taxes, appointed by the Council President.
5. A County Commissioner, appointed by the Council President
6. The City Controller or designee

PROSPECTIVE MEMBERS

Beth Henkel, Co-Chair

Jim Steele, Co-Chair

Bob Lutz, City-County Councillor (R)

Frank Mascari, City-County Councillor (D)

Joe O'Connor, Marion County Assessor

Vop Osili, City-County Councillor (D)

Chris Pryor, MIBOR

Jack Sandlin, City-County Councillor (R)

Dan Sellers, CFO, Health and Hospital Corporation

Jeff Spalding, City Controller's Designee

GENERAL OPERATING GUIDELINES

- The Commission will meet and begin its operations as soon as practical
- After its initial meeting, the commission will meet upon the call of its co-chairs or a majority of its members
- Six members of the commission will constitute a quorum
- Reports of the committee will only be approved by vote of 6 members or more
- Any vacancy on the commission will be filled in the same manner in which the original appointment was made

- The commission will conduct public meetings in representative and various places in the community, provide information about the homestead tax credit, receive testimony from the public and submit its recommendation to the Council by July 15, 2013[1]
- The Commission will receive staff support from the Council and Office of Finance and Management.

Meeting Agenda Topics

The Commission will convene five informational public hearing meetings, one each in the north, south, east, west and downtown areas of the county, then a sixth meeting to present its recommendations. The following is a recommended agenda [2] for each meeting:

1. Present an analysis of local revenue, including retrospective and projected illustrations of trends, highlighting the effects of economic conditions and state enacted property tax caps, and a conclusion about whether there is a need to reduce or eliminate the Local Homestead Credit.
2. What the local homestead credit is (and is not).
3. History of the local homestead credit and why a property tax credit is funded by local income tax revenue.
4. How the local homestead credit is applied to taxpayers' bills.
5. Effect of property tax caps on the application of the local homestead credit.
6. How the local homestead credit affects the budgets of civil taxing units other than the City and County.
7. Which neighborhoods and types of homes benefit from the local homestead credit despite property tax caps.
8. Whether changes in state law relating to income tax distribution and the local homestead credit are desirable.

Meeting Schedule

1. Community Meeting (SOUTH): Wednesday, May 29, 2013, 6pm - Perry Township Government Center, 4925 Shelby Street, 46227
2. Community Meeting (WEST): Thursday, May 30, 2013, 6pm - Municipal Gardens, 1831 Lafayette Road, 46222
3. Community Meeting (CENTRAL): Monday, June 3, 2013, 6pm - Library Services Center, 2450 N. Meridian Street, 46208
4. Community Meeting (NORTH): Tuesday, June 4, 2013, 6pm - Fay Biccard Glick Neighborhood Center (formerly Crooked Creek Community Center), 2990 W. 71st Street, 46268
5. Community Meeting (EAST): Wednesday, June 5, 2013, 6pm - Warren MSD Education and Community Center, 975 N. Post Road, 46219
6. Commission Report and Recommendation: Monday, June 24, 2013, 6pm - City-County Building, Room 118, 200 E. Washington Street, 46204

Access to Information

The commission will establish a web page that provides access to the commission documents and information, including the ability for members of the public to look up the projected impact of the continuation or elimination of the local homestead credit.

The web page has been established at the following link:

http://www.indy.gov/eGov/Council/Committees/Pages/Local-Homestead-Credit-Review-Commission.aspx

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[1] This is the outside date for completion. Given the budget timeline, if possible, the report should be completed sooner

[2] Item #1 to be presented by the Controller; Items 2 – 8 to be presented by Policy Analytics

Exhibit C

PolicyAnalytics, LLC

RESEARCH. ANALYSIS. RESULTS.

Local Homestead Credit Review Commission

For Marion County

May 29, 2013 – June 5, 2013

Policy Analytics, LLC

Overview of COIT

1. COIT is the County Option Income Tax. It was adopted in the 1980's. COIT is one of three types of local income tax imposed in Marion County.
2. COIT is spendable revenue for civil units of government to be used for any valid budgeted purpose.
3. The COIT homestead credit was established at the time COIT was enacted.
4. In 2013, \$12.5M of Marion County's \$169M COIT distribution was used to replace a portion of homestead property tax levies.
5. This amount gets distributed as property taxes to all units in the county that are able to levy property taxes.

Overview of the COIT Homestead Credit

1. Currently, $12.5M of the $169M Marion County COIT distribution is allocated as a homestead credit for Marion County homeowners.

2. A "homestead" is defined by Indiana law as an owner-occupied permanent dwelling. An individual can only claim homestead status on <u>one</u> property – the home in which they claim primary residence.

3. The COIT Homestead Credit is not the same as the "Homestead Deduction." The homestead deductions are administered by the State, and are not local policy decisions.

4. Marion County has an additional small homestead credit – the LOIT (local option income tax) homestead credit, which is not part of this discussion.

5. COIT Homestead Credits "become" property tax revenue by virtue of replacing a portion of the property taxes that residential taxpayers would otherwise pay.

Impact of Eliminating the HSC on Taxing Units

1. Eliminating the COIT homestead credit in 2014 will shift approximately $12.8M in COIT dollars from property tax substitution to spendable general revenues for certain civil units (certified shares).

2. This change increases *effective* property tax rates. The result is a reduction in property tax collections for all taxing units as taxpayers are moved further above the circuit breaker rate caps.

3. Additional COIT dollars, freed up from the homestead credit will shift to those civil units that are eligible to receive COIT distributions according to current law.

Impact on Taxing Units

Impact of Eliminating the COIT Homestead Credit

Taxing Units that Experience a Net Revenue Increase

Taxing Unit	Prop. Tax. Decrease	COIT Increase	Net Revenue Impact
City of Indianapolis/Marion County	(3,200,344)	11,525,828	8,325,484
Decatur, Pike, Wayne Twps.	(290,906)	797,227	506,321
Lawrence	(159,518)	193,721	34,202
Beech Grove	(50,607)	133,968	83,361
Southport	(2,062)	4,229	2,167
Speedway	(8,775)	126,448	117,673
Total - Units w/ Revenue Increase	**(3,712,212)**	**12,781,421**	**9,069,209**

Impact on Taxing Units

Impact of Eliminating the COIT Homestead Credit

Taxing Units that Experience Circuit Breaker Losses

Taxing Unit	Prop. Tax. Decrease	COIT Increase	Net Revenue Impact	Pct. Decrease
Townships	(37,838)	-	(37,838)	-0.9%
Towns (Clermont, Cumberland, etc.)	(18,436)	-	(18,436)	-1.5%
School Corporations	(3,903,580)	-	(3,903,580)	-1.0%
Libraries	(416,667)	-	(416,667)	-1.1%
Indygo	(304,348)	-	(304,348)	-1.0%
Health and Hospital	(627,426)	-	(627,426)	-1.1%
Total - Units w/ Revenue Decrease	**(5,308,296)**	**-**	**(5,308,296)**	**-1.0%**

Impact on Taxpayers

1. **No Impact:** Taxpayers who are already at their circuit breaker maximum (liability is 1% of gross AV) will not see an increase in non-referendum property tax liability.

2. **Some Impact:** Taxpayers that are below their circuit breaker maximum will see an increase in property tax liability.

3. **Referendum Impact:** Taxpayers subject to a school referendum fund levy <u>will</u> see an increase on the portion of their tax bill resulting from the referendum process – regardless of their circuit breaker status.

Taxpayer with no Liability Impact

Full Impact to Taxing Unit

Illustrative Tax Bill	**Current Law**	**COIT Hmstd. Credit Elim. Scenario**
Assessed Value		
Gross assesssed value - Circuit Breaker is 1%	117,218	117,218
Standard and supplemental homestead deduction	(70,276)	(70,276)
Other deductions	(3,000)	(3,000)
Net Assessed Value	**43,942**	**43,942**
Non Referendum Tax Liability		
Eligible for Circuit Breaker Credit		
Gross tax liability (before circuit breaker)	1,701.73	1,701.73
Less: COIT Homestead Credit	(61.22)	-
Less: LOIT Homestead Credit	(6.29)	(6.29)
Circuit breaker credit - revenue lost to taxing units	(462.04)	(523.26)
Net Tax Liability	**1,172.18**	**1,172.18**

Homestead Liability Increase

Impact shared by Taxpayer and Taxing Units

Illustrative Tax Bill	Current Law	COIT Hmstd. Credit Elim. Scenario
Assessed Value		
Gross assesssed value - Circuit Breaker is 1%	70,391	70,391
Standard and supplemental homestead deduction	(52,089)	(52,089)
Other deductions	-	-
Net Assessed Value	**18,302**	**18,302**
Non Referendum Tax Liability		
Eligible for Circuit Breaker Credit		
Gross tax liability (before circuit breaker)	724.91	724.91
Less: COIT Homestead Credit	(26.08)	-
Less: LOIT Homestead Credit	(2.68)	(2.68)
Circuit breaker credit - revenue lost to taxing units	-	(18.32)
Net Tax Liability	**696.15**	**703.91**

Homestead Liability Increase

No Circuit Breaker Protection to Taxpayer

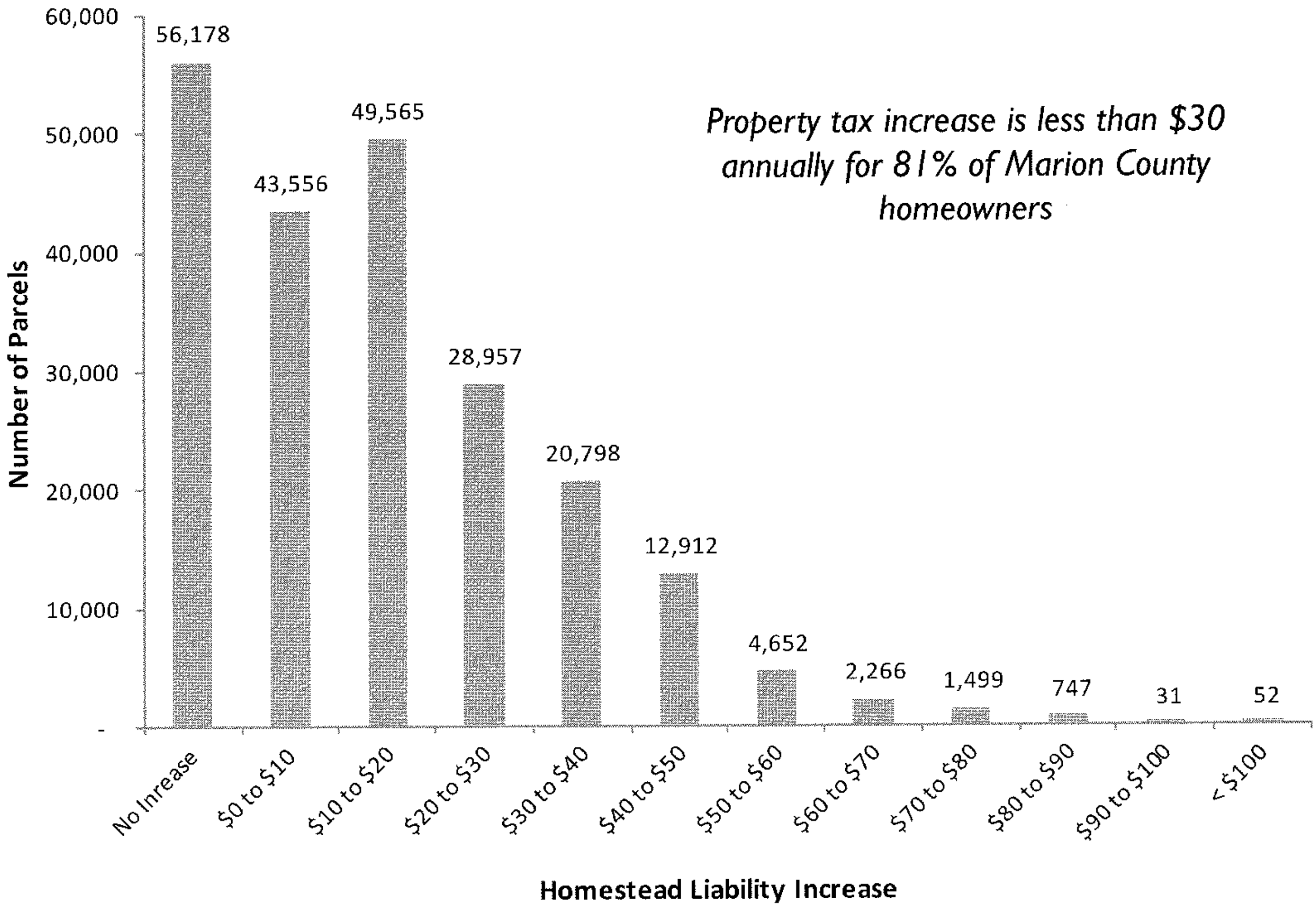
Illustrative Tax Bill	**Current Law**	**COIT Hmstd. Credit Elim. Scenario**
Assessed Value		
Gross assesssed value - Circuit Breaker is 1%	90,000	90,000
Standard and supplemental homestead deduction	(60,750)	(60,750)
Other deductions	(3,000)	(3,000)
Net Assessed Value	**26,250**	**26,250**
Non Referendum Tax Liability		
Eligible for Circuit Breaker Credit		
Gross tax liability (before circuit breaker)	708.23	708.23
Less: COIT Homestead Credit	(25.48)	-
Less: LOIT Homestead Credit	(2.62)	(2.62)
Circuit breaker credit - revenue lost to taxing units	-	-
Net Tax Liability	**680.13**	**705.61**

Homestead Liability Increase

Impact to Referendum Liability Only

Illustrative Tax Bill	Current Law	COIT Hmstd. Credit Elim. Scenario
Assessed Value		
Gross assesssed value - Circuit Breaker is 1%	176,705	176,705
Standard and supplemental homestead deduction	(91,097)	(91,097)
Other deductions	-	-
Net Assessed Value	**85,608**	**85,608**
Non Referendum Tax Liability		
Eligible for Circuit Breaker Credit		
Gross tax liability (before circuit breaker)	2,682.19	2,682.19
Less: COIT Homestead Credit	(96.49)	-
Less: LOIT Homestead Credit	(9.92)	(9.92)
Circuit breaker credit - revenue lost to taxing units	(808.73)	(905.22)
Net Tax Liability	**1,767.05**	**1,767.05**
Referendum Tax Liability		
Not Eligible for Circuit Breaker Credit		
Gross tax liability (before circuit breaker)	206.06	206.06
Less: COIT Homestead Credit	(7.42)	-
Less: LOIT Homestead Credit	(0.76)	(0.76)
Net Tax Liability	**197.88**	**205.30**
Total Net Tax Liability	**1,964.93**	**1,972.35**

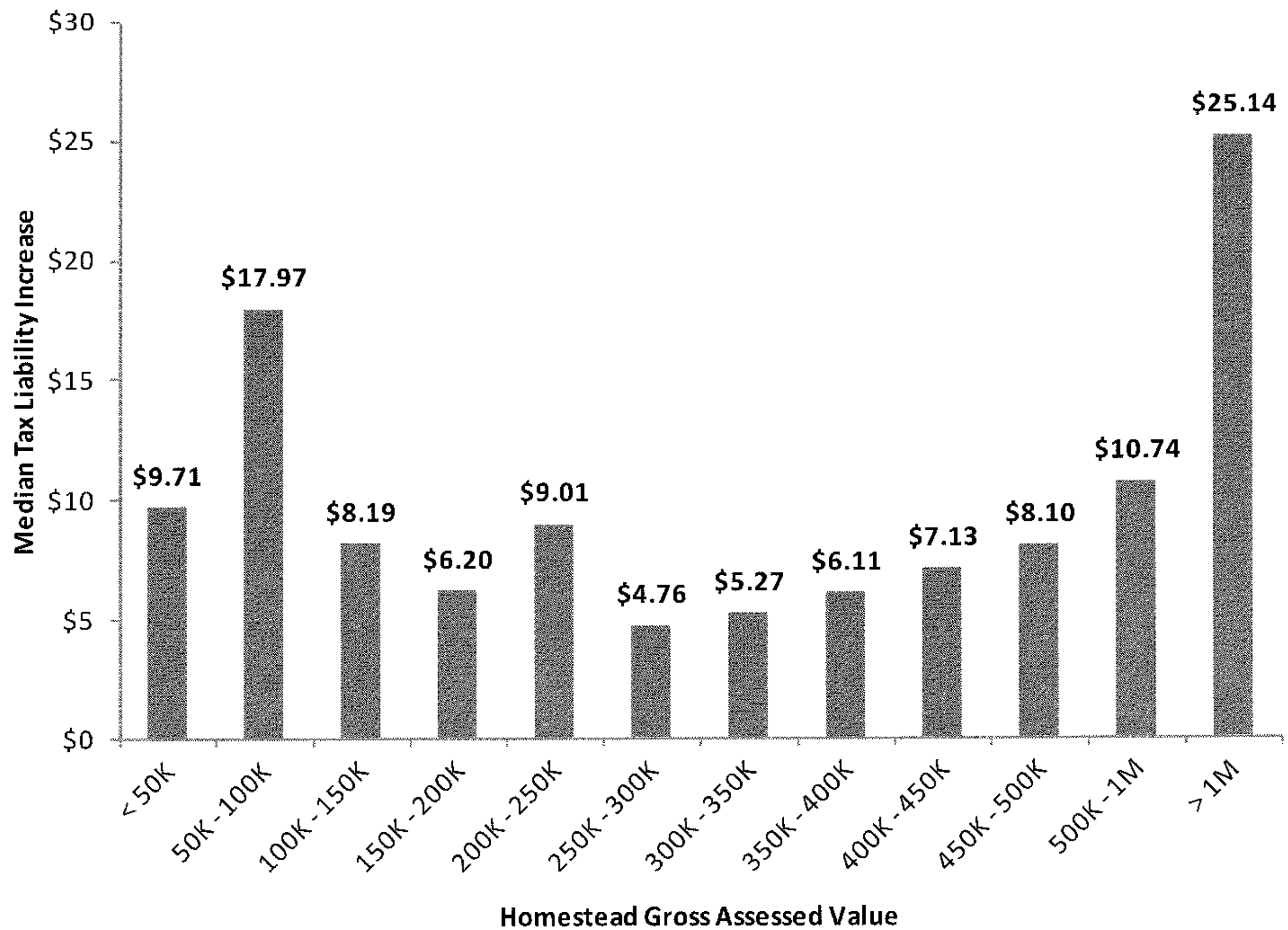
Distribution of Property Tax Increases due to the Elimination of the COIT Homestead Credit



Property tax increase is less than $30 annually for 81% of Marion County homeowners

Median Homestead Tax Liability Increase

per given assessed value range



Representative Taxpayer History

$100K Parcel

Representative Taxpayer Analysis - Reprentative $100K Parcel

Impact of Eliminating COIT Homestead Credit

		Actual Property Tax Liability								Pct.	2014	Pct.	
									2014	Chng.	HSC	Chng.	Liab.
Dist	District Name	2007	2008	2009	2010	2011	2012	2013	Proj.	07-14	Elim	07-14	Incr.
101	Center Twp.	1,281	751	787	881	982	983	1,053	1,061	-17%	1,079	-16%	17
500	Perry Twp.	1,082	749	718	649	822	900	959	971	-10%	1,008	-7%	36
800	Wash. Twp.	817	494	519	517	594	610	634	641	-22%	665	-19%	24
600	Pike Twp.	1,068	688	666	653	673	710	758	766	-28%	795	-26%	29
300	Franklin Twp.	1,341	1,016	999	1,000	1,000	910	1,000	1,000	-25%	1,000	-25%	-

Representative Taxpayer History

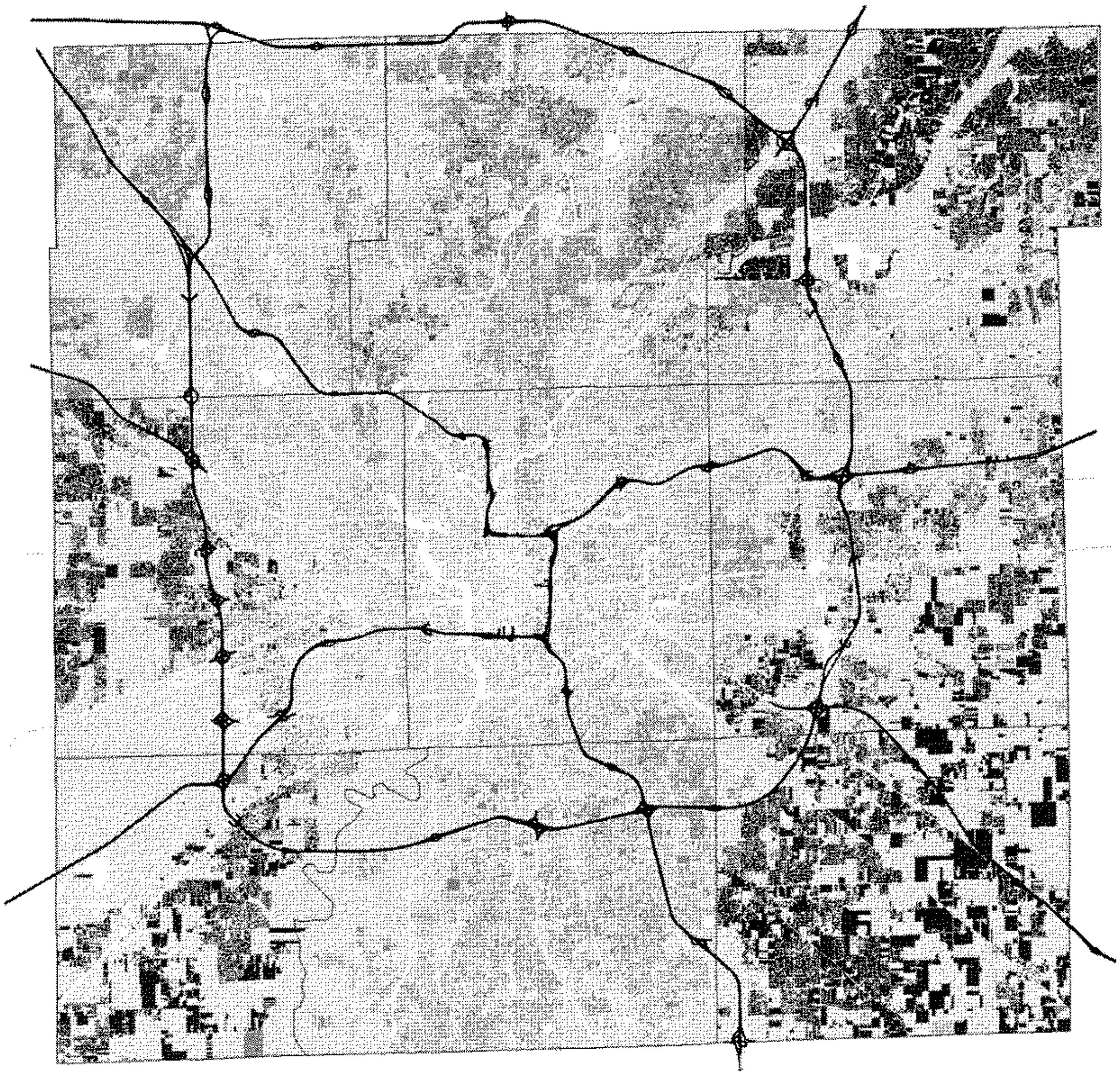
$200K Parcel

Representative Taxpayer Analysis - Reprentative $200K Parcel

Impact of Eliminating COIT Homestead Credit

		Actual Property Tax Liability								Pct.	2014	Pct.	
									2014	Chng.	HSC	Chng.	Liab.
Dist	District Name	2007	2008	2009	2010	2011	2012	2013	Proj.	07-14	Elim.	07-14	Incr.
101	Center Twp.	3,744	2,194	2,349	2,116	2,073	2,103	2,228	2,226	-41%	2,234	-40%	8
500	Perry Twp.	3,163	2,188	2,144	1,936	2,000	2,340	2,415	2,423	-23%	2,439	-23%	16
800	Wash. Twp.	2,389	1,443	1,548	1,542	1,771	1,820	1,893	1,913	-20%	1,985	-17%	72
600	Pike Twp.	3,123	2,011	1,987	1,949	2,008	2,119	2,141	2,141	-31%	2,147	-31%	5
300	Franklin Twp.	3,919	2,969	2,983	2,000	2,000	2,000	2,000	2,000	-49%	2,000	-49%	-

Geographical Impacts - Parcel Level



County Overview

Impact of Removing COIT Homestead Credit

- Non Hmstd. Parcel
- No Liability Increase
- $0 - $10
- $10 - $30
- $30 - $50
- $50 -70
- Greater than $70

PolicyAnalytics, LLC